

**TOWNSHIP OF McKINLEY
COUNTY OF HURON
PIGEON, MICHIGAN
FINANCIAL REPORT
MARCH 31, 2005**

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name McKinley Township	County Huron
Audit Date 3/31/2005	Opinion Date 9-22-2005	Date Accountant Report Submitted to State: 9/22/2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.		X	
Reports on individual federal financial assistance programs (program audits).			XX
Single Audit Reports (ASLGR).			XX

Certified Public Accountant (Firm Name) Paul Smihal CPA			
Street Address 6915 N. Caseville Road	City Caseville	State MI	ZIP 48725
Accountant Signature <i>Paul A. Smihal CPA</i>			

**TOWNSHIP OF MC KINLEY
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BAD AXE, MICHIGAN
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CASEVILLE, MICHIGAN
OFFICE: 989-856-2250
FAX: 989-856-9303

Paul Smihal CPA

September 22, 2005

State Treasurer
Local Audit Division
Treasury Building
Lansing, Michigan 48922

RE: Township of McKinley
Audit as of March 31, 2005

Dear Sir:

This report is being written pursuant to Section 7 (2) of the Public Act 2, P.A. of 1968, as amended, and to advise you that I have made an examination of the financial statements of the above mentioned local unit of government. My opinion dated September 22, 2005, with respect to these statements is included in my accountant's report submitted to you under the date of September 22, 2005.

I also wish to advise you that, in connection with the foregoing examination, I have complied with the minimum requirements as outlined in your "Bulletin for the Audits of Local Unit of Government in Michigan", as revised.

In accordance with the provision of P.A. 275 of 1980, as amended, there are no accumulated deficits in the various fund balances of the above local unit, other than as disclosed in the financial statements including the notes thereto, or as described in the report of comments and recommendations. In addition, we found no substantive instances of non-compliance with the provision of P.A. 2 of 1968 (The Uniform Accounting and Budgeting Act) as amended, other than as disclosed in the financial statement including the notes thereto, or as described in the report of comments and recommendations as prescribed by the report guidelines for instances of non compliance included in appendix B of the BULFALUG manual.

I hereby state and affirm that I am a Certified Public Accountant resided to practice in the State of Michigan and am independent insofar as that term is defined by my profession.

In my report for the above-mentioned period, I have expressed an unqualified opinion with respect to the financial statements.

In the last previous report by the local unit's independent Certified Public Accountant which covered the period April 1, 2003 to March 31, 2004, a qualified opinion was expressed.

A handwritten signature in cursive script, appearing to read "Paul Smihal".

Paul Smihal

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Paul Smihal CPA

September 22, 2005

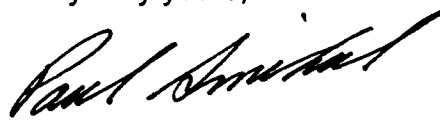
Honorable Supervisor and
Members of Township Board
Township of McKinley
Pigeon, MI 48755

I have audited the accompanying general purpose financial statements of the Township of McKinley, as of March 31, 2005, and the year then ended. These general purpose financial statements are the responsibility of the Township of McKinley, Pigeon, Michigan, and management. My responsibility is to express and opinion on these general purpose financial statements based on my audit.

I conducted by audit in accordance with generally accepted audit standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also included assessing the accounting principles used significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of McKinley, as of March 31, 2005, and the results of its operations are in conformity with generally accepted accounting principles.

Very truly yours,



Paul Smihal

FINANCIAL SECTION

TOWNSHIP OF MCKINLEY
BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
March 31, 2005

ASSETS	GOVERNAMENTAL FUND TYPES			ACCOUNTS GROUPS TOTAL (MEMORANDUM ONLY)
	GENERAL	ROADS FUND	GENERAL FIXED ASSETS	
Cash	\$ 173,003	\$ 0	\$ 0	
Taxes Rec'ble & fees	8,075	0	0	
General Fixed Assets:				
Land	0	0	2,000	
Buildings	0	0	900	
Equipment & Fixtures	0	0	5,163	
TOTAL ASSETS	\$ 181,078	\$ 0	\$ 8,063	189,141
	=====	=====	=====	=====
LIABILITIES & FUND EQUITY				
Accounts Payable	\$ 0	\$ 0	\$ 0	
Accrued payroll taxes	339	0	0	
Accrued pension	0	0	0	
TOTAL LIABILITIES	339	0	0	339
FUND EQUITY				
Investment in General	0	0	8,063	
Fixed Assets	0	0	0	
Fund Balance	180,739	0	0	136,801
TOTAL FUND EQUITY	180,739	0	8,063	188,802
	=====	=====	=====	=====
TOTAL LIABILITY & FUND EQUITY	\$ 181,078	\$ 0	\$ 8,063	189,141
	=====	=====	=====	=====

TOWNSHIP OF MCKINLEY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED MARCH 31, 2005

GOVERNAMENTAL FUND TYPES			
REVENUES	GENERAL	SPECIAL REVENUE	TOTAL (MEMORANDUM ONLY)
Taxes	\$ 28,793	\$ 95,521	\$
Administrative fee	10,129	0	
Interest	842	0	
State grants	35,434	0	
Reimbursements & Refunds	1,573	0	
Miscellaneous	1,280	0	
Total Revenues	78,051	95,521	173,572
EXPENDITURES			
Legislative:	5,224	0	
Executive	8,353	0	
Elections	1,478	0	
Clerk	8,250	0	
Board of Review	760		
Assessor	7,275		
Township Hall & Grounds	20,241		
Treasurer	8,909		
Fire & Health	10,309	0	
Culture	500	0	
Liquor Inspection	907		
Public Works	1,175	56,252	
Total Expenditures	73,381	56,252	129,633
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,670	39,269	43,939
Other Financing Sources (uses)			
Operating Transfers In	39,269	0	39,269
Operating Transfers Out	0	39,269	39,269
Total Other Financing Sources (use)	39,269	39,269	0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	43,939	0	43,939
FUND BALANCE - APRIL 1, 2004	136,800	0	136,800
FUND BALANCE - MARCH 31, 2005	\$ 180,739	\$ 0	\$ 180,739

**TOWNSHIP OF MCKINLEY
STATEMENT OF CHANGES IN ASSET AND LIABILITIES
AGENCY FUND
YEAR ENDED MARCH 31, 2005**

TAX COLLECTION FUND TYPES

	BALANCE March 31, 2004	ADDITIONS	DELECTIONS	BALANCE March 31, 2005
ASSETS				
Cash	\$ 0	\$ 709,570	\$ 709,570	0
TOTAL ASSETS	\$ 0	\$ 709,570	\$ 709,570	0
	=====	=====	=====	=====
LIABILITIES				
Due to other Twp funds	\$ 0	\$ 125,884	\$ 125,884	0
Due to County	0	169,431	169,431	0
Due to Schools	0	260,682	260,682	0
Due to State Education	0	141,230	141,230	0
Due to Drains	0	11,607	11,607	0
Due to General Fund	0	736	736	0
TOTAL LIABILITIES	\$ 0	\$ 709,570	\$ 709,570	0
	=====	=====	=====	=====

**TOWNSHIP OF MC KINLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES:

ACCOUNTING

The financial statements for the year ended March 31, 2005, comprise those of all Township Funds. Such financial statements are maintained in accordance with principles of governmental accounting and state statutory requirements, applying the modified accrual basis of accounting for all funds. Revenue from State and Federal distribution are recorded when received in cash and Township property taxes and certain other revenues are recorded with taxes are levied or revenues earned. Expenditures are recorded as incurred.

ACCOUNTING FOR CAPITAL EXPENDITURES

Generally accepted accounting principles applicable to governmental units as promulgated in the American Institute of Certified Public Accountants industry audit guide titles "Audit of State and Local Government Units" provided for differing accounting treatment for capital expenditures dependent upon the category of the funds from which the expenditures are made. In enterprises, intergovernmental service and certain trust funds, capital expenditures are capitalized in the fund and depreciated. In all other funds, including the General Fund, capital expenditures are treated in the same manner as other current expenditures in the fund and are then to be recorded in a general fixed asset" group of accounts.

The Township's accounting practices are in conformity with the above described generally accepted accounting principles.

BASIS OF PRESENTATION

The financial activities of the Township of McKinley are recorded in separate funds and are categorized as follows:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund.

Special Revenue Funds – Road Construction Fund. It is used to account for specific governmental revenues requiring separate accounting because of legal and regulatory provision or administrative action.

NOTE 2 – BALANCE SHEET CASH AND INTEREST BEARING DEPOSITS.

Deposits are carried at cost. Deposits of the Township are at one bank. Act 217, P.A. 1982, authorizes the Township to deposit and invest in the accounts of federally insured banks, insured credit unions, and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government of federal agency obligation repurchases agreements; banker's acceptance of United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bond, or other form for the deposits of public money. An attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township deposits are in accordance with statutory authority.

The governmental accounting Standards Board Statement No. 3 risk disclosures for the Township's cash deposits are as follows:

<u>Deposits</u>	<u>Carrying Amounts</u>
Insured (FDIC)	\$173,003
Uninsured	-0-
Total Deposits	\$173,003

NOTE 3 – CHANGES IN GENERAL FIXED ASSETS

	Balance March 31, 2004	Additions	Deletions	Balance March 31, 2005
Land	\$2,000	0	0	\$2,000
Buildings	900	0	0	900
Equipment	<u>3,096</u>	<u>2,067</u>	<u>0</u>	<u>5,163</u>
	\$5,996	2,067	0	\$8,063

NOTE 4 – TOTAL – (MEMORANDUM ONLY)

The "Memorandum only" column represents the aggregate total of the various columnar statements by fund types and account groups. This total column is not comparable to a consolidation, and therefore, does not present consolidated information.

NOTE 5 – BUDGET

McKinley Township adopts their budget by line items totals.

NOTE 6 - PROPERTY TAXES

	<u>Taxable Value</u>	<u>Mileage</u>	
Roads	25,819,293	3.85500	\$99,533
General	25,819,293	1.16210	30,005

NOTE 7 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A.621 of 1978. Section 18 (1), as amended, provides that a local unit shall not incur expenditures for the budgetary funds have been shown on a line item basis. The approved budget of the Township for these funds were adopted to the line item level.

SUPPLEMENTAL DATA

AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

MC KINLEY TOWNSHIP

My examination of McKinley Township for the year ended March 31, 2005, was made primarily for the purpose of formulating an overall opinion of the Township's combined balance sheet at March 31, 2005, and its combined statement of revenue, expenditures and changes in fund equity for the year then ended. The accompanying additional information is not necessary for a fair presentation of the financial statements, but is submitted as additional analytical data. This information has been compiled from the accounting records which were subjected to the tests and other auditing procedures applied in the examination of financial statements mentioned above. In my opinion, the supplemental statements presented for the year ended March 31, 2005 are fairly stated in all material respects in relation to the financial statement taken as a whole.

**TOWNSHIP OF MCKINLEY
GENERAL FUND
COMBINED STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARANCE FAVORABLE (UNFAVORABLE)</u>
TAXES:			
Current Tax Collections	\$	\$ 28,793	\$
Tax Collection Fee		6,030	
Tax Collection Fee State		4,098	
Total Taxes	35,400	38,921	3,521
INTERGOVERNMENTAL REVENUE:			
State Revenue Sharing		35,434	
State Liquor Inspection		908	
Total Intergovernmental Revenue	33,935	36,342	2,407
OTHER INCOME:			
Miscellaneous		1,946	
Interest Income		842	
Transfer from Roads		39,269	
Total Other Income	775	42,057	41,282
Total Revenues	70,110	117,320	47,210
Total Expenditures	106,185	73,381	32,804
Excess of Expenditures over Revenue	\$ -36,075	\$ 43,939	\$ 14,406
Fund Balance Beginning of year		136,800	
Fund Balance end of year		\$ 180,739	

**TOWNSHIP OF MC KINLEY
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARANCE FAVORABLE (UNFAVORABLE)</u>
LEGISLATIVE:			
Trustee Salaries	\$	\$ 1,750	\$
Legal & Accounting		1,750	
Dues		1,436	
Pension		263	
FICA Expense		25	
Total Legislative	5,990	5,224	766
EXECUTIVE:			
Supervisor Salary		5,300	
Deputy Supervisor Salary		550	
Postage		15	
Education		1,194	
Supplies		379	
Pension		796	
FICA Expense		119	
Total Executive	8,465	8,353	112
ELECTIONS:			
Salaries		1,246	
Printing & Publishing		112	
Supplies		120	
Total Elections	9,000	1,478	7,522
CLERK:			
Salary		5,300	
Deputy Clerk Salary		550	
Supplies & misc		391	
Pension		759	
FICA Expense		119	
Education - Seminar - Conv		858	
Legal & audit		199	
Printing & Publishing		74	
Total Clerk	9,417	8,250	1,167

**TOWNSHIP OF MC KINLEY
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2005
(Continued)**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARANCE FAVORABLE (UNFAVORABLE)</u>
BOARD OF REVIEW:			
Salary		682	
FICA Expense		78	
Total Board of Review	800	760	40
ASSESSOR:			
Salary		4,900	
Pension		734	
FICA Expense		71	
Tax Roll Preparation		1,570	
Total Assessor	6,055	7,275	-1,220
TREASURER:			
Salary		6,500	
Deputy Treasurer Salary		550	
Supplies		256	
Postage		492	
Pension		975	
FICA Expense		136	
Total Treasurer	10,480	8,909	1,571
TOWNSHIP HALL GROUNDS:			
Electric		81	
Repairs & Maintenance		17,191	
Insurance		2,969	
Total Township Hall Grounds	29,100	20,241	8,859
PUBLIC SAFETY:			
Fire Protection - Stand By		8,800	
Ambulance		1,509	
Total Public Safety	15,268	10,309	4,959
PARKS & RECREATIONS:			
Little League	750	500	250

TOWNSHIP OF MC KINLEY
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2005
(Continued)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARANCE FAVORABLE (UNFAVORABLE)</u>
LIQUOR INSPECTIONS:			
Salary	935	907	28
PUBLIC WORKS:			
Drains at Large	3,000	1,175	1,825
MISCELLENEOUS:			
Capital Outlay		0	
Total Miscellaneous	7,000	0	7,000
OTHER			
Transfer to Road Fund	41,600	0	41,600
TOTAL EXPENDITURES	\$ 147,860	\$ 73,381	\$ 74,479

**TOWNSHIP OF MCKINLEY
ROAD FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR YEAR ENDED MARCH 31, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Current Tax Collections \$		95,521 \$	
Transfer from General Fund		0	
	-----	-----	-----
Total Revenues	95,870	95,521	349
 EXPENDITURES:			
Transfer to General Fund		39,269	
Road Construction		56,252	
	-----	-----	-----
Total Expenditures	41,600	95,521	-53,921
	-----	-----	-----
 EXCESS OF REVENUES (EXPENDITURES)	\$ 54,270	0 \$	-53,572
	=====		=====
 FUND BALANCE BEGINNING OF YEAR		0	
 FUND BALANCE END OF YEAR		\$ 0	
		=====	